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Fixed interest securities are one asset class that all investors have at their fingertips to diversify and reduce risk, and it forms the staple diet of many a diversified investment strategy, particularly those at the more cautious end of the risk spectrum. But as we have hinted at previously, asset allocators who sit on their hands, thinking that fixed interest investments will maintain their historic low risk attributes during this next phase of the economic cycle, may come unstuck.

With client outcomes firmly in our sights, we think it is wrong to assume that the skill of bond fund managers and a passive strategy will simply carry investors through unscathed, hence we have taken active steps to alter the fixed interest exposure across our strategies over the course of the past year in an effort to reduce some of the latent risk that we believe now lies under the surface. Yet to be tested, for example, is how bond fund managers will really cope when the interest rate tide turns in earnest, now almost certainly later this year; managers say they are ready, but we have some doubts in some cases. Fixed interest securities still feature in most of our diversified strategies, but we have generally reduced our exposure and it is now mainly restricted to strategic bond fund managers who have tools to actively manage duration, as well as inflation linked bond funds which we believe will cope better in a rate-rising environment. We have recently further reduced our fixed interest exposure within our strategies.

With our conventional stockmarket exposure continuing to be positioned at the upper end of each strategy's range, the main recipients of reduced fixed interest allocations have been commercial property and 'alternative investments', and more recently some additional cash in our Defensive and Cautious strategies.

We probably won't get every decision right, but we believe it is important to keep thinking and reacting ahead of the crowd in an ever-changing landscape in order to deliver the desired results for our clients and their professional advisers.

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